

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1507 - SB 1966

March 3, 2014

SUMMARY OF BILL: Increases the mileage limitation from 200,000 miles to 400,000 miles, for a conventional or Class D bus operating in its 16th or 17th year of service.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$230,200/Department of Safety/FY14-15

Exceeds \$230,200/Department of Safety/FY15-16 and Subsequent Years

Increase State Expenditures –

\$230,200/Department of Safety/FY14-15

\$56,400/General Fund/FY14-15

\$163,400/FY15-16 and Subsequent Years

Decrease Local Expenditures – Net Impact –

Exceeds \$11,750,000/FY14-15 and Subsequent Years/Permissive

Other Fiscal Impact - If transportation costs decrease as a result of local education agencies (LEAs) choosing not to purchase new or used school buses, the Basic Education Program (BEP) funding formula may generate less funding over time, thus decreasing state and local BEP expenditures. The impact of any decrease in BEP funding will occur three years after any BEP funding formula adjustment since the BEP transportation component is funded on a three-year average. The decrease is reasonably estimated to exceed \$9,000,000, beginning in FY15-16.

Assumptions:

- According to the Department of Safety (DOS), the number of Type C and D buses estimated to enter the use extension program in FY14-15 is 299. The number of buses that will enter the use extension program in FY15-16 and subsequent fiscal years is estimated to exceed 299.
- Each inspection will cost \$385 and each bus utilizing the extension program will be inspected twice. Inspection fee revenue is retained by DOS in order to offset costs

incurred as a result of conducting inspections. The increase in state revenue to DOS is estimated to be \$230,230 (\$385 fee x 299 buses x 2 inspections) in FY14-15, and is estimated to exceed \$230,230 in FY16-17 and subsequent fiscal years.

- According to DOS, two new state troopers will be required for the additional inspections. Each trooper position will result in recurring state expenditures of \$81,700 for salary, benefits, and operational costs, and one-time state expenditures of \$61,600 for patrol vehicle, computer and software, and other related equipment and supplies.
- The total increase in state expenditures in FY14-15 is estimated to be \$286,600 $[(\$81,700 \times 2) + (\$61,600 \times 2)]$. DOS will utilize the \$230,200 in new inspection fee revenue to partially-cover these increased expenditures. Given the new revenue will not be sufficient for covering all new expenditures, DOS will require a one-time appropriation from the state General Fund of \$56,400 (\$286,600 costs - \$230,200 revenue) in FY14-15.
- The recurring increase in state expenditures in FY15-16 and subsequent years is estimated to be \$163,400 $(\$81,700 \times 2)$.
- According to DOE, the average cost for a bus is \$85,000. If local governments elect not to purchase 150 buses as a result of this bill (approximately 50 percent of all buses that are estimated to be replaced under current law) in FY14-15, the permissive decrease in local expenditures is estimated to be \$12,750,000 $(\$85,000 \times 150)$.
- Annual local expenditures for bus maintenance may increase as a result of extending the service life of buses. It is reasonably estimated that the permissive increase in maintenance expenditures will be at least \$1,000,000 annually statewide; further it is assumed that the cost for maintenance is less than the cost to purchase a new bus.
- The net permissive decrease in local expenditures in FY14-15 and subsequent fiscal years is estimated to exceed \$11,750,000 $(\$12,750,000 - \$1,000,000)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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